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C O N F I D E N T I A L SECTION 01 OF 02 YEREVAN 000297

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SUBJECT: ARMENIAN CUSTOMS SERVICE JOINS CRACKDOWN ON
OPPOSITION OLIGARCH

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Classified By: CDA JOSEPH PENNINGTON. REASON 1.4 (B/D)

¶1. (C) In what appears to be the GOAM's latest retaliatory measure against a pro-opposition (and currently fugitive) oligarch, Khachatur "Grzo" Sukiasian, a Sukiasian aide tells us the customs agency has for several weeks been holding up release of cigarettes imported by a Sukiasian-affiliated company. Sukiasian's representatives believe the customs agency may be trying to wrest control of the business in order to hand it over to a relative of President-Elect Serzh Sargsian and his favorite oligarch. While Sukiasian and his businesses have previously been subject to harassment as apparent retaliation for his support of LTP, this appears to be the first time the GOAM has attempted to destroy or seize one of his business assets. END SUMMARY.

SEVERAL SHIPMENTS HELD UP

¶2. (C) Khachatur Sukiasian is the oligarch who controls, through a network of family and loyalists, the Sil Group conglomerate and various associated firms. Sukiasian's personal assistant has met several times in recent weeks with EmbOffs to discuss the situation of the Sukiasian brothers and the GOAM's campaign of harassment against them and their business interests. Unless otherwise indicated, the following information comes from EmbOffs' discussions with Sukiasian's assistant or briefing papers she has provided us. This matter has not yet been reported in local media. (NOTE: Armenian law forbids members of parliament from having any direct ownership in any kind of business. As one would expect from such an unrealistically draconian ban, this restriction is universally flouted. Upon entering parliament, Armenian businessmen customarily restructure the ownership of their businesses to put everything in the names of various family members and loyal associates. Accordingly, while everyone knows that Sil Group and its associated companies are de facto Sukiasian's companies, in fact his formal title is "honorary chairman" and nothing is legally in his own name. END NOTE)

¶3. (U) Pares Armenia, a company 50-percent owned by Khachatur Sukiasian's three brothers (the other 50 percent is owned by a foreign holding company) has been the official importer and distributor of Philip Morris brands of cigarettes in Armenia since 1998. In 2007 the company was the country's eighth-largest taxpayer, paying USD 22 million in customs duties and other taxes, according to State Tax Service statistics. Pares says that in 2007 it paid an average of \$246,000 per week in duties on 2,600 boxes (each box containing 10,000 cigarettes). Until recently, the Customs Service would release the shipments within several days of receiving payment.

¶4. (C) In recent weeks the Customs Service has refused to release several shipments from Philip Morris, despite Pares' insistence that it has made all the required payments. Pares claims to have paid over USD 1.4 million for documentary stamps needed to clear three different shipments, none of which has yet been released. On March 1, Customs denied the request for the stamps (despite having received a payment of USD 128,000 several days earlier), saying the length of the contract with the partner (Philip Morris) was not clear. Pares provided documentation of the contract on March 10, but Customs has still not released the shipment, nor explained the reason for holding up any of the shipments. Pares indicates that it was due to pay another USD 387,000 to clear a fourth shipment but is not willing to risk making another payment while its previous shipments have not been released. Meanwhile, its inventory levels are running low and the company risks not being able to fill customer orders.

REVENGE - AND A BUSINESS OPPORTUNITY?

¶5. (C) Sukiasian's assistant told PolOff this week that Pares' lawyers are trying to negotiate with the Customs Service for release of the shipments, but thus far without success. She claims that it is a politically motivated action and that President-Elect Sargsian is attempting to take away Pares' business as retaliation for Sukiasian's support of LTP, as well as to help enrich a favored oligarch and a family member. She claims that Sargsian's son-in-law and senior adviser, Misha Minasian, and oligarch Samvel "LaFik Samo" Alexanian (an MP/oligarch who led a roving goon squad on Election Day, that invaded a number of polling places to stuff ballot boxes for Serzh Sargsian) are now negotiating with Philip Morris to take over the business from Sukiasian. (NOTE: Minasian recently told CDA that he plans to

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step down from his official position as Sargsian's advisor, and return to his business interests. END NOTE).

A CREEPING CAMPAIGN AGAINST THE ROGUE OLIGARCH

¶6. (C) The holdup at Customs seems to be just the latest in a series of moves undertaken by the GOAM as retaliation against Sukiasian for his support of LTP. In October the State Tax Service launched a surprise inspection against several SIL Group companies, and since then the Director of SIL's Pizza Di Roma restaurant chain has been jailed on tax-evasion charges. More recently, police arrested two Pizza di Roma employees, and continue to hold a cashier on tax-evasion charges. The director of SIL's Bjni bottled water operation was arrested March 22 on the Georgian border, reportedly on tax-evasion charges. At present, of the four Sukiasian brothers, only one - Eduard - is in Yerevan and free. Khachatur's whereabouts are unknown ever since he was stripped of his parliamentary immunity in early March, but he is believed to be abroad. Robert, the President of Pares-Armenia, was reportedly arrested several weeks ago in Georgia and is currently being held there by police, according to Sukiasian's aides and Armenian press, although neither Armenian nor Georgian authorities have confirmed this information officially. Robert Sukiasian's offense was reported to be illegally crossing the border, which usually can be excused by paying a USD 10,000 fine. The Georgian government has reportedly declined offers by the family to pay the fine and have Robert released, Sukiasian's assistant told us privately that Saribek Sukiasian left Armenia six months ago for unknown reasons.

COMMENT

¶7. (C) Given that the GOAM has used the State Tax Service in recent months to harass or otherwise retaliate against opponents, it is eminently plausible that they would likewise employ the notoriously corrupt Customs Service to destroy the business of an enemy, in order to hand the lucrative import opportunity over to a relative or favored oligarch. We are not yet ready to take at face value the Sukiasian side's claim of who the reported beneficiary of this action may be. Government insiders have repeatedly told us that as president Serzh Sargsian would take on the notorious "nickname guys" and drive them away from governmental circles. If indeed the government arranges to transfer Sukiasian's cigarette import business to Sargsian's son-in-law and the infamous "LaFik Samo," that will speak volumes about Sargsian's much-ballyhooed reform agenda. END COMMENT.

PENNINGTON